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SECRET

30 April 1956

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Dup & Analysis

CMCC Doc. No. 151X5.89

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Dear George:

We are forwarding herewith a proposal covering development and production of the Ground Duping and Analysis Equipment required for use in conjunction with System 1, System 3, and still other systems with which your company is concerned.

The cost estimate is divided into two parts; the first part covers the costs of development and production of equipment required to duplicate and otherwise process information recorded originally on 3-channel, quarter-inch magnetic tape, while the second part covers development and production of 14-channel, one-inch tape processing equipment.

25X1A The estimated cost of conducting the development work and producing
25X1A two deliverable units of the 3-channel data reduction equipment is
25X1A [REDACTED] and the estimated cost of production of the remainder of the
25X1A 3-channel equipment is [REDACTED]. The total estimated cost, exclusive
25X1A of fee, for conduct of the development program and production of all of the
25X1A 3-channel data reduction equipment is therefore [REDACTED].

25X1A The estimated cost of developing and producing two deliverable units
25X1A of the 14-channel data reduction equipment is [REDACTED] and the estimated
25X1A cost of producing the remaining 14-channel equipment is [REDACTED]. Thus,
25X1A the total estimated cost, exclusive of fee, for conducting the development
25X1A required and producing the 14-channel data reduction equipment is
25X1A [REDACTED].

25X1A The total estimated cost of developing and producing all of the 3-channel
25X1A and 14-channel data reduction equipment is [REDACTED] and the fee, calcu-
25X1A lated on the basis of [REDACTED] of the total estimated cost, is [REDACTED].
25X1A Accordingly, the total estimated price of the program proposed is [REDACTED].

The cost quotations indicated in the preceding paragraphs are somewhat unusual perhaps in that the costs of the two development programs include the cost of deliverable items of equipment. This procedure has been followed because it is difficult to make a clear-cut distinction between true development costs and those expenditures associated with production of the first two deliverable units of each kind of equipment, whereas production of the remainder of the items of each kind will be handled on a normal production basis for which the costs are completely and readily separable from the development activity.

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To: George

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Based upon your earlier verbal authorization, we have already placed orders for substantial quantities of the equipment required to fabricate data reduction systems. The program upon which we are here quoting has been active for some time, the general objectives being those of making production equipment available at the earliest date possible to assist in the processing of data obtained as a result of Detachment A operations.

Sincerely,


Dean

Enclosures:

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